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June 10, 2014

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

**Re: Duke Energy Progress, Inc. and Duke Energy Carolinas, LLC Proposed
Transfer of Assets Worth Over \$1 million to Duke Energy Business
Services, LLC**

Dear Mrs. Boyd:

Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, Inc. ("DEP") (collectively, the "Utilities"), pursuant to S.C. Code Ann. § 58-27-1300 (Supp. 2012), respectively request that the Public Service Commission of South Carolina approve the sale of telecommunications inventory assets worth over \$1 million each from DEC and DEP to Duke Energy Business Services, LLC ("DEBS"). DEBS, a subsidiary of Duke Energy Corporation ("Duke Energy"), provides general services, including telecommunications necessities, to the Utilities as well as other Duke Energy entities. The sale of these telecommunications inventory assets will benefit the Utilities' customers.

Currently, the Utilities manage their telecommunications inventory material differently, which results in process inconsistencies and the potential overstocking of inventory. The Utilities would like to transfer this inventory material to DEBS in order to consolidate the processes and ownership of the inventory material, streamline workflows, and optimize the inventory material's utilization. Such a consolidation would minimize inventory levels, which would reduce the total inventory cost borne by the Utilities' customers, and would also enhance DEBS' buying power with suppliers of inventory materials, which would also ultimately reduce costs for the Utilities' customers.

The sale of utility assets is addressed in S.C. Code Ann. § 58-27-1300, which provides that, "No electrical utility, without the approval of the commission and compliance with all other existing requirements of the laws of the State in relation thereto, may sell, assign, transfer, lease, consolidate, or merge its utility property, powers, franchises or privileges, or any of them, except

Mrs. Jocelyn G. Boyd
Chief Clerk/Administrator
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that any electrical utility which has utility property, the fair market value of which is one million dollars or less, may sell, assign, transfer, lease, consolidate, or merge this property without prior approval of the commission." The cost of the sale of assets from both DEC and DEP to DEBS will be over \$1 million per utility. As a result, the Utilities must receive approval from the Public Service Commission of South Carolina in order to proceed with this transaction. For your convenience, I have attached the draft contracts to this filing.

The Utilities have discussed this potential sale of assets with the South Carolina Office of Regulatory Staff ("ORS"), and the ORS does not object to the sale or to the Utilities requesting approval for the sale by the Commission.

Should you have any questions about this matter, please do not hesitate to contact Brian Franklin at 980.373.4465.

Sincerely,



Timika Shafeek-Horton
Deputy General Counsel

TSH/bml

Enclosures

cc: Ms. Nanette Edwards, ORS
Ms. Shannon B. Hudson, ORS
Mr. John Flitter, ORS

SALES AGREEMENT

THIS SALES AGREEMENT (this "Agreement") is made and entered into this day of , 2014 (the "Effective Date"), by Duke Energy Progress, Inc. ("Seller") and Duke Energy Business Services, LLC ("Buyer").

STATEMENT OF PURPOSE

Seller owns telecommunication equipment inventory (the "Product"). Buyer desires to purchase the Product from Seller, and Seller desires to sell the Product to Buyer, all in accordance with the terms and provisions of this Agreement.

NOW, THEREFORE, in consideration of the aforesaid Statement of Purpose, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby, intending to be legally bound, agree as follows:

1. **Sales of Product.** Seller hereby sells the Product to Buyer effective as of the Effective Date.
2. **Price of Product.** The price for the Product sold to Buyer shall be set in accordance with applicable state and federal affiliate pricing requirements. Accordingly, the price of the Product shall be set at the greater of cost or fair market value. The parties acknowledge that the cost of the Product (including stores, freight and handling) is \$4,365,734 and the fair market value of the Product (including stores, freight and handling) is \$4,369,338, and that the fair market value exceeds the cost of the Product as such appears on the books of the Seller.
3. **Delivery of Product.** The Product shall be transferred from Seller to Buyer at the location of the Product at the time of the Effective Date where title to and risk of loss of the Product shall pass to Buyer.
4. **Payment for Product.** Buyer shall pay Seller for Product ordered by Buyer under this Agreement, plus applicable taxes, within thirty (30) days of Buyer's receipt of the applicable invoice for such Product or as otherwise agreed to by Seller.
5. **No Warranties.** Seller make no representations or warranties relating to the Product and the only warranties, if any, with respect to the Product purchased hereunder are solely made by the manufacturer thereof with all such limitations and qualifications as such manufacturer may have imposed on such warranties. BUYER EXPRESSLY ACKNOWLEDGES, UNDERSTANDS AND AGREES THAT SELLER HAS NOT MADE, DOES NOT MAKE AND WILL NOT MAKE ANY EXPRESS OR IMPLIED WARRANTIES AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION THE CONDITION OF THE PRODUCT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED.
6. **North Carolina Code of Conduct.** All affiliate contracts to which Seller is a party shall provide the following: (i) Seller's participation in this Agreement is voluntary, Seller is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and Seller may elect to discontinue its participation in this Agreement at its election after giving any required notice; (ii) Seller may not make or incur a charge under this Agreement except in accordance with North Carolina law and the rules, regulations and orders of the Commission

promulgated thereunder; (iii) Seller may not seek to reflect in rates any (A) costs incurred under this Agreement exceeding the amount allowed by the Commission or (B) revenue level earned under this Agreement less than the amount imputed by the Commission; and (iv) Seller will not assert in any forum that the Commission's authority to assign, allocate, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is preempted and will bear the full risk of any preemptive effects of federal law with respect to this Agreement.

7. Release and Indemnification. SELLER SHALL HAVE NO LIABILITY FOR CLAIMS OF ANY KIND WHETHER BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), UNDER ANY WARRANTY OR OTHERWISE, FOR ANY LOSS OR DAMAGE ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE SALE OF THE PRODUCT INCLUDING WITHOUT LIMITATION ANY CONSEQUENTIAL, INDIRECT, SPECIAL OR INCIDENTAL LOSS OR DAMAGE. Buyer shall indemnify, defend and hold Seller, its affiliates and their respective officers, directors and employees harmless from and against any claims, demands, losses, suits, judgments, damages and expenses (including reasonable attorneys' fees) relating to or arising out of the Product, including without limitation the resale, use, operation, possession or maintenance of, or the failure to use, operate, maintain or secure, the Product, on or after the date of delivery of the Product.

8. Assignment. This Agreement shall not be assigned by either party without the prior written consent of the other, provided however, Seller may assign this agreement as the result of any merger, acquisition or spin-off without such prior consent.

9. Non-Waiver. No waiver by any party of any breach by another party of any provision hereof shall be deemed to be a waiver of any other breach thereof or as a waiver of any such or other provision of this Agreement.

10. Applicable Law. This Agreement is made and executed with the intention that the construction, interpretation and validity hereof shall be determined in accordance with and governed by the laws of the State of North Carolina.

11. Dispute Resolution. In the event that a dispute arises over the interpretation or application of any provision of this Agreement or the grounds for termination thereof, the dispute shall, at the election of either party, be submitted for final and binding arbitration by the American Arbitration Association under its Commercial Arbitration Rules (the "Rules"). Such arbitration shall be held in Cincinnati, Ohio and conducted by one arbitrator selected in accordance with the Rules. The decision and award of the arbitrator shall be in writing, signed and served upon the parties. All costs and expenses (including arbitrator's fees and expenses and attorney's fees and expenses) of the prevailing party shall be borne by the losing party or, in the event that the prevailing party has not prevailed entirely on its claim(s), then such costs and expenses shall be awarded in proportion to the award as the arbitrator, in his sole discretion, may determine. The arbitration award shall be final and binding upon the parties and shall not be subject to further review by any court or other judicial or governmental body in any jurisdiction. Nothing in this paragraph shall prevent any party from seeking injunctive relief in a judicial proceeding if interim relief from a court is necessary to preserve the status quo pending resolution or to prevent serious and irreparable injury to that party or others, provided that the underlying dispute is resolved pursuant to the provisions of this section.

12. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

13. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes and cancels all prior or contemporaneous oral or written agreements and understandings with respect to the subject matter hereof. All exhibits to this Agreement are hereby incorporated herein by reference. No purchase order delivered by Buyer under this Agreement shall modify or supplement the terms and provisions of this Agreement, the parties acknowledging and agreeing that any different or supplemental terms contained therein are contained therein solely for the convenience of Buyer so that Buyer may use its standard purchase orders and shall have no effect whatsoever on this Agreement and shall be treated as if they do not exist. This Agreement may not be changed or modified orally or by any such purchase order, but only by an instrument in writing signed by the parties hereto which instrument unequivocally states that it is an amendment to this Agreement.

14. Severability. If any provision of this Agreement is declared invalid or unenforceable as a matter of law, such invalidity or unenforceability shall not affect or impair the validity or enforceability of any other provision of this Agreement or the remainder of this Agreement as a whole.

15. Survival. Sections 5 and 7 through 18, inclusive, shall survive the expiration or early termination (with or without cause) of this Agreement.

16. Force Majeure. Seller shall not be liable to Buyer for failure to make shipments or delays on any orders where such failure or delay is due to fire, strike, labor trouble, act of God, loss or damage during transportation, acts of subcontractors or suppliers, laws or regulations of any governmental authority, incorrect, delayed or incomplete information provided by Buyer or any other cause or condition beyond the reasonable control of Seller.

17. Notices. Any written notice or demand under this Agreement shall be given to a party by mailing such notice certified mail, return receipt requested, with proper postage affixed at the address set forth for such party on the signature page of this Agreement or at such other address as that party may provide in writing from time to time pursuant to this Section 17. Such notice or demand so mailed shall be effective when actually received by the intended party.

18. Counterparts. This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their duly authorized representatives, as of the date first above written.

Duke Energy Progress, Inc.

By: _____

Name: _____

Title: _____

Address: _____

Date: _____

Duke Energy Business Services, LLC

By: _____

Name: _____

Title: _____

Address: _____

Date: _____

SALES AGREEMENT

THIS SALES AGREEMENT (this "Agreement") is made and entered into this day of , 2014 (the "Effective Date"), by Duke Energy Carolinas, LLC ("Seller") and Duke Energy Business Services, LLC ("Buyer").

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NOW, THEREFORE, in consideration of the aforesaid Statement of Purpose, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby, intending to be legally bound, agree as follows:

1. Sales of Product. Seller hereby sells the Product to Buyer effective as of the Effective Date.
2. Price of Product. The price for the Product sold to Buyer shall be set in accordance with applicable state and federal affiliate pricing requirements. Accordingly, the price of the Product shall be set at the greater of cost or fair market value. The parties acknowledge that the cost of the Product (including stores, freight and handling) is \$2,312,120 and the fair market value of the Product (including stores, freight and handling) is \$2,312,501, and that the fair market value exceeds the cost of the Product as such appears on the books of the Seller.
3. Delivery of Product. The Product shall be transferred from Seller to Buyer at the location of the Product at the time of the Effective Date where title to and risk of loss of the Product shall pass to Buyer.
4. Payment for Product. Buyer shall pay Seller for Product ordered by Buyer under this Agreement, plus applicable taxes, within thirty (30) days of Buyer's receipt of the applicable invoice for such Product or as otherwise agreed to by Seller.
5. No Warranties. Seller make no representations or warranties relating to the Product and the only warranties, if any, with respect to the Product purchased hereunder are solely made by the manufacturer thereof with all such limitations and qualifications as such manufacturer may have imposed on such warranties. BUYER EXPRESSLY ACKNOWLEDGES, UNDERSTANDS AND AGREES THAT SELLER HAS NOT MADE, DOES NOT MAKE AND WILL NOT MAKE ANY EXPRESS OR IMPLIED WARRANTIES AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION THE CONDITION OF THE PRODUCT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED.
6. North Carolina Code of Conduct. All affiliate contracts to which Seller is a party shall provide the following: (i) Seller's participation in this Agreement is voluntary, Seller is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and Seller may elect to discontinue its participation in this Agreement at its election after giving any required notice; (ii) Seller may not make or incur a charge under this Agreement except in

accordance with North Carolina law and the rules, regulations and orders of the Commission promulgated thereunder; (iii) Seller may not seek to reflect in rates any (A) costs incurred under this Agreement exceeding the amount allowed by the Commission or (B) revenue level earned under this Agreement less than the amount imputed by the Commission; and (iv) Seller will not assert in any forum that the Commission's authority to assign, allocate, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is preempted and will bear the full risk of any preemptive effects of federal law with respect to this Agreement.

7. Release and Indemnification. SELLER SHALL HAVE NO LIABILITY FOR CLAIMS OF ANY KIND WHETHER BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), UNDER ANY WARRANTY OR OTHERWISE, FOR ANY LOSS OR DAMAGE ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE SALE OF THE PRODUCT INCLUDING WITHOUT LIMITATION ANY CONSEQUENTIAL, INDIRECT, SPECIAL OR INCIDENTAL LOSS OR DAMAGE. Buyer shall indemnify, defend and hold Seller, its affiliates and their respective officers, directors and employees harmless from and against any claims, demands, losses, suits, judgments, damages and expenses (including reasonable attorneys' fees) relating to or arising out of the Product, including without limitation the resale, use, operation, possession or maintenance of, or the failure to use, operate, maintain or secure, the Product, on or after the date of delivery of the Product.

8. Assignment. This Agreement shall not be assigned by either party without the prior written consent of the other, provided however, Seller may assign this agreement as the result of any merger, acquisition or spin-off without such prior consent.

9. Non-Waiver. No waiver by any party of any breach by another party of any provision hereof shall be deemed to be a waiver of any other breach thereof or as a waiver of any such or other provision of this Agreement.

10. Applicable Law. This Agreement is made and executed with the intention that the construction, interpretation and validity hereof shall be determined in accordance with and governed by the laws of the State of North Carolina.

11. Dispute Resolution. In the event that a dispute arises over the interpretation or application of any provision of this Agreement or the grounds for termination thereof, the dispute shall, at the election of either party, be submitted for final and binding arbitration by the American Arbitration Association under its Commercial Arbitration Rules (the "Rules"). Such arbitration shall be held in Cincinnati, Ohio and conducted by one arbitrator selected in accordance with the Rules. The decision and award of the arbitrator shall be in writing, signed and served upon the parties. All costs and expenses (including arbitrator's fees and expenses and attorney's fees and expenses) of the prevailing party shall be borne by the losing party or, in the event that the prevailing party has not prevailed entirely on its claim(s), then such costs and expenses shall be awarded in proportion to the award as the arbitrator, in his sole discretion, may determine. The arbitration award shall be final and binding upon the parties and shall not be subject to further review by any court or other judicial or governmental body in any jurisdiction. Nothing in this paragraph shall prevent any party from seeking injunctive relief in a judicial proceeding if interim relief from a court is necessary to preserve the status quo pending resolution or to prevent serious and irreparable injury to that party or others, provided that the underlying dispute is resolved pursuant to the provisions of this section.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their duly authorized representatives, as of the date first above written.

Duke Energy Carolinas, LLC

By: _____

Name: _____

Title: _____

Address: _____

Date: _____

Duke Energy Business Services, LLC

By: _____

Name: _____

Title: _____

Address: _____

Date: _____